

City of Sanger

Sanger, California

Basic Financial Statements and Independent Auditors' Report

For the year ended June 30, 2008

City of Sanger
Basic Financial Statements
For the year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Sanger
Sanger, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sanger, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statements date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions which, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, investment losses, if any, have not been reflected in the accompanying basic financial statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Sanger
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 6,728,770	\$ 2,494,964	\$ 9,223,734
Receivables:			
Accounts	985,775	1,750,224	2,735,999
Grants	442,404	-	442,404
Short-term internal balances	(713,627)	713,627	-
Total current assets	7,443,322	4,958,815	12,402,137
Noncurrent assets:			
Cash and investments with fiscal agents	702,050	2,812,677	3,514,727
Notes receivable	-	495,000	495,000
Land held for resale	1,698,848	-	1,698,848
Inventories	17,538	-	17,538
Other assets	118,711	689,207	807,918
Long-term internal balances	(1,457,426)	1,457,426	-
Deferred charges, net	128,704	-	128,704
Capital assets:			
Non-depreciable	931,006	1,325,540	2,256,546
Depreciable, net	20,536,779	28,589,421	49,126,200
Total capital asset	21,467,785	29,914,961	51,382,746
Total noncurrent assets	22,676,210	35,369,271	58,045,481
Total assets	30,119,532	40,328,086	70,447,618
LIABILITIES			
Current liabilities:			
Accounts payable	311,666	342,470	654,136
Accrued interest payable	90,326	-	90,326
Deposits payable	1,090	111,587	112,677
Long-term debt - due within one year	418,243	90,000	508,243
Total current liabilities	821,325	544,057	1,365,382
Noncurrent liabilities:			
Unearned revenues	2,748,134	799,778	3,547,912
Other liabilities	-	2,225	2,225
Claims payable	150,786	-	150,786
Compensated absences payable	1,179,885	406,637	1,586,522
Long-term debt - due in more than one year	3,736,273	20,277,579	24,013,852
Total noncurrent liabilities	7,815,078	21,486,219	29,301,297
Total liabilities	8,636,403	22,030,276	30,666,679
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	17,538,870	10,910,638	28,449,508
Restricted for:			
Debt service	702,050	2,812,677	3,514,727
Special projects	3,893,272	-	3,893,272
Total restricted	4,595,322	2,812,677	7,407,999
Unrestricted (deficit)	(651,063)	4,574,495	3,923,432
Total net assets	\$ 21,483,129	\$ 18,297,810	\$ 39,780,939

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,033,341)	\$ -	\$ (3,033,341)
(4,681,554)	-	(4,681,554)
2,431,246	-	2,431,246
533,745	-	533,745
(127,216)	-	(127,216)
(1,774,195)	-	(1,774,195)
(6,651,315)	-	(6,651,315)
-	(314,518)	(314,518)
-	(642,977)	(642,977)
-	(102,547)	(102,547)
-	(200,745)	(200,745)
-	(1,260,787)	(1,260,787)
(6,651,315)	(1,260,787)	(7,912,102)
2,716,815	-	2,716,815
1,840,156	-	1,840,156
1,245,493	-	1,245,493
2,043,787	-	2,043,787
777,238	-	777,238
8,623,489	-	8,623,489
48,591	-	48,591
295,117	4,709,538	5,004,655
300,000	(300,000)	-
9,267,197	4,409,538	13,676,735
2,615,882	3,148,751	5,764,633
18,867,247	15,149,059	34,016,306
\$ 21,483,129	\$ 18,297,810	\$ 39,780,939

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - This fund is used to account for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds.

Redevelopment Agency Funds - These funds are used to account for the tax increment resources used to redevelop areas of the City. Redevelopment is accomplished through the reconstruction and rehabilitation of residential, commercial, industrial or rental property.

Grant Funds - These funds are used to account for the contributions of cash or other assets from the State of California to be used for a specified purpose, activity or facility.

Public Financing Authority - This fund is used to account for the payment of interest and principal on the 1995 Subordinate Tax Increment Revenue Bonds of the Public Financing Authority.

City of Sanger
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2008

Total Fund Balances - Total Governmental Funds	\$ 4,754,840
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Amounts reported for governmental activities in the Statement of Net Assets were different because:

Long-term notes receivable were not current available resources. Therefore, in the governmental funds balance sheet, they were offset by deferred revenue. In the Governmental-Wide Statement of Net Assets, deferred revenue was netted against the notes receivable. The following amounts represent the net realizable value of the notes receivable.

Notes receivable	(1,484,058)
Deferred revenue	1,484,058
Total	-

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Except for the internal service funds reported below, the capital assets were adjusted as follows:

	Government- Wide Statement of Net Assets	Internal Service Funds	
Non-depreciable	\$ 931,006	\$ -	931,006
Depreciable, net	20,536,779	(32,957)	20,503,822
Total	<u>\$ 21,467,785</u>	<u>\$ (32,957)</u>	<u>21,434,828</u>

Issuance costs from issuing debt were expenditures in the fund financial statements but are deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets.

Originated during the year	141,575	
Amortization of costs	<u>(12,871)</u>	
Total issuance costs		<u>128,704</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.

(90,326)

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Assets.

Reprographics and Data Processing Fund	231,711
Equipment Maintenance	(24,556)
Self-Insurance Program Fund	<u>382,329</u>
Total	<u>589,484</u>

Compensated absences and long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Compensated absences	(1,179,885)
Long-term liabilities - due within one year	(418,243)
Long-term liabilities - due in more than one year	<u>(3,736,273)</u>
Total	<u>(5,334,401)</u>

Net Assets of Governmental Activities	<u>\$ 21,483,129</u>
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See accompanying Notes to Basic Financial Statements.

City of Sanger

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds

\$ 896,576

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.

2,469,586

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in Governmental Funds, which excluded internal service fund depreciation expenses of \$10,529.

(1,763,666)

Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds.

50,164

Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

Long-term debt principal repayment

465,895

Amortization on bond discount and deferred charges were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization was not reported as expenditures in governmental funds.

Deferred charges

(12,871)

Bond discount

(4,484)

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represented the change in accrued interest from prior year.

91,424

Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.

423,258

Change in Net Assets of Governmental Activities

\$ 2,615,882

PROPRIETARY FUND FINANCIAL STATEMENTS

Water Fund - This fund is used to account for the operations related to the City's water delivery system.

Sewer Fund - This fund is used to account for financial activity relative to construction, maintenance and repair of the sanitary sewer system.

Public Financing Authority - This fund is used to account for the payment of interest and principal on the 2002 Series A Revenue Refunding Bonds and 2006 Lease Revenue Refunding Bonds of the Public Financing

		Governmental Activities Internal Service Funds	
Total			
\$	2,494,964	\$	628,890
	1,750,224		6,034
	1,311,816		-
	-		17,538
	5,557,004		652,462
	2,812,677		-
	495,000		-
	20,461,749		-
	689,207		118,711
	29,914,961		32,957
	54,373,594		151,668
	59,930,598		804,130
	342,470		62,770
	598,189		-
	111,587		1,090
	799,778		-
	2,225		-
	1,854,249		63,860
	19,004,323		-
	20,367,579		-
	-		150,786
	406,637		-
	39,778,539		150,786
	41,632,788		214,646
	10,910,638		32,957
	2,812,677		-
	4,574,495		556,527
\$	18,297,810	\$	589,484

		Governmental	
		Activities	
		Internal	
Total		Service Funds	
<hr/>			
\$	10,658,800	\$	4,014,426
	4,709,538		-
<hr/>		<hr/>	
	15,368,338		4,014,426
<hr/>		<hr/>	
	4,026,265		983,449
	2,962,365		2,553,780
	186,874		-
	3,324,872		44,769
	1,330,229		10,529
<hr/>		<hr/>	
	11,830,605		3,592,527
<hr/>		<hr/>	
	3,537,733		421,899
<hr/>		<hr/>	
	-		1,359
	(88,982)		-
<hr/>		<hr/>	
	(88,982)		1,359
<hr/>		<hr/>	
	3,448,751		423,258
<hr/>		<hr/>	
	(300,000)		-
<hr/>		<hr/>	
	(300,000)		-
<hr/>		<hr/>	
	3,148,751		423,258
<hr/>		<hr/>	
	15,149,059		166,226
<hr/>		<hr/>	
\$	18,297,810	\$	589,484
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		Governmental Activities Internal Service Funds	
Total			
\$ 11,736,699	\$ 3,918,512		
(3,239,588)	(590,784)		
(4,011,331)	(983,449)		
-	(1,975,282)		
(413,965)	(44,769)		
4,071,815	324,228		
(300,000)	-		
(300,000)	-		
1,953,921	-		
(6,547,174)	1		
(88,982)	-		
(4,682,235)	1		
-	1,359		
-	1,359		
(910,420)	325,588		
6,218,061	303,302		
\$ 5,307,641	\$ 628,890		
\$ 2,494,964	\$ 628,890		
2,812,677	-		
\$ 5,307,641	\$ 628,890		
\$ 3,537,733	\$ 421,899		
1,330,229	10,529		
(46,478)	(5,435)		
(1,823,245)	-		
1,085,720	-		
24,614	(95,091)		
(90,349)	9,265		
(11,186)	-		
-	(17,416)		
8,086	477		
41,757	-		
14,934	-		
\$ 4,071,815	\$ 324,228		

FIDUCIARY FUND

FINANCIAL STATEMENTS

Cash Deposits Fund - This fund is used to account for donations to specific programs such as recreation, tree planting, protection of the environment and senior citizen activities. Security and performance deposits are also included in this fund.

Special Police Fund - This fund is used to account for the graffiti removal program.

Payroll Services Fund - This fund is used to account for payroll costs throughout the year. This fund segregates cash allocated for payroll.

Community Facilities District 1 Bonds - This fund is used to account for the payment of interest and principal on the non-city obligation Community Facilities District 1 Bonds.

City of Sanger
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2008

	Balance July 1, 2007	Net change in Assets and Liabilities	Balance June 30, 2008
<u>CASH DEPOSITS</u>			
Assets:			
Cash and investments	\$ 433,714	\$ 315,009	\$ 748,723
Accounts receivable	16,839	(16,839)	-
Total assets	<u>\$ 450,553</u>	<u>\$ 298,170</u>	<u>\$ 748,723</u>
Liabilities:			
Accounts payable	\$ 49,141	\$ 21,185	\$ 70,326
Deposits	401,412	276,985	678,397
Total liabilities	<u>\$ 450,553</u>	<u>\$ 298,170</u>	<u>\$ 748,723</u>
<u>SPECIAL POLICE</u>			
Assets:			
Cash and investments	\$ 1,210	\$ 5,023	\$ 6,233
Total assets	<u>\$ 1,210</u>	<u>\$ 5,023</u>	<u>\$ 6,233</u>
Liabilities:			
Deposits	\$ 1,210	\$ 5,023	\$ 6,233
Total liabilities	<u>\$ 1,210</u>	<u>\$ 5,023</u>	<u>\$ 6,233</u>
<u>PAYROLL SERVICES</u>			
Assets:			
Cash and investments	\$ 223,881	\$ 59,057	\$ 282,938
Total assets	<u>\$ 223,881</u>	<u>\$ 59,057</u>	<u>\$ 282,938</u>
Liabilities:			
Accrued wages	\$ 222,202	\$ 59,057	\$ 281,259
Deposits	1,679	-	1,679
Total liabilities	<u>\$ 223,881</u>	<u>\$ 59,057</u>	<u>\$ 282,938</u>
<u>COMMUNITY FACILITIES</u>			
<u>DISTRICT 1 BONDS</u>			
Assets:			
Cash and investments	\$ 227,862	\$ 12,304	\$ 240,166
Cash with fiscal agent	112,654	(944)	111,710
Accounts receivable	-	699	699
Total assets	<u>\$ 340,516</u>	<u>\$ 12,059</u>	<u>\$ 352,575</u>
Liabilities:			
Due to bondholders	\$ 340,516	\$ 12,059	\$ 352,575
Total liabilities	<u>\$ 340,516</u>	<u>\$ 12,059</u>	<u>\$ 352,575</u>

City of Sanger
Notes to Basic Financial Statements
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sanger, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of the Reporting Entity

The financial reporting entity consists of (a) the primary government, City of Sanger, California (City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief review of the component units included in the accompanying basic financial statements of the City.

Redevelopment Agency of the City of Sanger (Agency)

Its purpose is to prepare and carry out plans for the improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City.

Sanger Public Financing Authority (Authority)

Its purpose is to act as a vehicle for various financing activities of the City. The Authority's Board of Directors is the Sanger City Council.

The above component units are included in the City's basic financial statements using the blended method since the governing body of these component units are substantially the same as the governing body of the City and these component units provide services entirely to the City.

Detailed financial statements are available for the above component units from the City's Finance Department.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except for that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the Combined Balance Sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments, Continued

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents including cash with fiscal agents.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (Amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable for deposit and investment risk are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentration of Credit Risk
- Foreign Currency Risk

E. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt and for acquisition and construction of capital projects. Cash and investments are also restricted for deposits held for others within the enterprise funds. The restricted cash and investments are combined with unrestricted cash and investments and displayed as Cash and Investments.

F. Inventories and Prepaid Items

Inventory is valued at cost using the first in, first out method. Inventory in the proprietary funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

G. Land Held for Resale

Land held for resale is recorded at the lower of acquisition cost or net realizable value.

H. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans)." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

Advances between funds, reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, propriety fund types recognize the interest payable when the liability is incurred.

M. Property Taxes

Taxes are levied on January 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of Fresno, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year-end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes as revenues at June 30 available taxes or those collected within 60 days.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy proportionate to what it received during the years 1976 to 1978.

N. Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

Cash, cash equivalents, and investments consisted as follows at June 30, 2008:

Cash and cash equivalents:	
Petty Cash	\$ 4,294
Demand Deposit	758,727
Total cash and cash equivalents	<u>763,021</u>
Investments:	
Local Agency Investment Fund	9,738,775
Blackrock Money Market Fund	3,322,928
County of Fresno Investment Pool	303,507
Total investments	<u>13,365,210</u>
Total cash and investments	<u>\$ 14,128,231</u>

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$758,727 at June 30, 2008. Bank balances as of June 30, 2008, were \$1,012,390, which were fully insured and collateralized and securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City has waived collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

Cash with Fiscal Agents

At June 30, 2008, the City's cash with fiscal agents consisted of the following:

Debt Service Funds:	
Improvement District 79-1 Bonds	\$ 303,638
2006 Tax Allocation Bonds	398,412
	<u>702,050</u>
Enterprise Fund:	
2006 Lease Revenue Bonds	2,812,677
	<u>2,812,677</u>
Agency Fund:	
1998 Community Facilities District 1 Bonds	111,710
Total	<u>\$ 3,626,437</u>

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

B. Local Agency Investment Fund

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2008, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- ♦ Structured Notes - debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- ♦ Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2008, the City had \$9,738,775 invested in LAIF which had invested 14.72% of the pool investment funds in Structured Notes and Asset-Backed Securities.

C. Risk Disclosures

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits investments to a maximum maturity of five years. The weighted average days to maturity of the total portfolio shall not exceed the City's anticipated liquidity needs for the next six (6) months. The City is in compliance with this provision of the Policy.

Credit Risk

The City's Policy limits investments in commercial paper to the highest grade of stand alone or enhanced (prime) commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services and requires that the management company of mutual funds must have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

The City's investments are rated by the nationally recognized statistical rating organizations as follows:

	<u>Moody's</u>	<u>Standard & Poor's</u>
Investments Pool		
Local Agency Investment Fund	Not Rated	Not Rated
County of Fresno Investment Pool	Not Rated	Not Rated
Money Market Fund		
Blackrock Money Market Fund	AAA	AAA

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. NOTES RECEIVABLE

Fund Financial Statements

At June 30, 2008, the City's notes receivable consisted of the following:

Governmental Activities:	
General Fund	\$ 25,000
Redevelopment Agency	
Low Income Housing Loans	302,975
Down Payment Assistance Program	20,753
Owners Participation Agreement - Avalon Communities	500,000
Business Façade Improvement Loans	635,330
Total Redevelopment Agency	1,459,058
Total Governmental Activities	1,484,058
Business-Type Activities	
1995 Subordinate Tax Increment Revenue Bonds	495,000
Total Business-Type Activities	495,000
Total	\$ 1,979,058

- ♦ At June 30, 2008, the City was owed \$25,000 from Sanger PAL for the purchase of their share of the Otani Property. The notes bear no interest with principal only payable in the amount of \$5,000 on each anniversary of the note. The note matures on August 22, 2013.
- ♦ At June 30, 2008, the Agency was owed \$302,975 from various non-interest and low interest bearing low income housing loans, secured by deeds of trust. Maturities vary according to terms and disposition of property.
- ♦ At June 30, 2008, the Agency was owned \$20,753 under the provisions of the Down Payment Assistance Loan Program, which provides non-interest loans to low and moderate income first-time home buyers for down payments required to purchase a new or existing home in the City. The loans are secured by deeds of trust and liens are recorded against the subjected property.
- ♦ At June 30, 2008, the Agency was owed \$500,000 under the Owner Participation Agreement for the purpose of constructing single-family houses for sales, including eight affordable houses. The loans are repaid incrementally (\$14,000 per lot) as building lots are sold, plus accrued interest.
- ♦ At June 30, 2008, the Agency was owed \$635,330 from various development and improvement loans. Development loans are interest bearing ranges from 3.2% to 6.0%, and improvement loans are non-interest bearing and secured by deeds of trust. Maturities vary according to terms.
- ♦ At June 30, 2008, the City's Water Enterprise Fund was owed \$495,000 under terms of a loan agreement. During 1994-95, the Authority borrowed money from the Water Fund.

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. INTERFUND TRANSACTIONS, Continued

Advance to and from other funds

As of June 30, 2008, balances of advance from/advance to were as follows:

Advance from other funds		Advance to other funds
Governmental Activities:		Governmental
Non-Major Governmental		Activities
		Non-Major
		Governmental
	\$	446,060
	\$	446,060

Interfunds loans receivable and payable

As of June 30, 2008, balances of interfunds loans receivable/ loans payable were as follows:

Interfunds loans receivable			
Business-Type Activities			
Interfunds loans payable	Public Financing		Total
	Water	Authority	
Governmental Activities:			
General Fund	\$ 288,053	\$ -	\$ 288,053
Redevelopment Agency Fund	1,169,373	-	1,169,373
Business-Type Activities:			
Sewer Fund	982,608	17,856,976	18,839,584
Non-Major Proprietary Funds	164,739	-	164,739
Total	\$ 2,604,773	\$ 17,856,976	\$ 20,461,749

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. INTERFUND TRANSACTIONS, Continued

Interfunds loans receivable and payable, Continued

- iv. During 2006-2007, the City borrowed money in the amount of \$58,047 from the Water Fund for the purchase of a dump truck. The outstanding balance as of June 30, 2008 was \$33,552.

The annual requirements to amortize the note receivable are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 10,539	\$ 2,013	\$ 12,552
2010	11,171	1,381	12,552
2011	11,842	710	12,552
Total	\$ 33,552	\$ 4,104	\$ 37,656

- v. During 2006-2007, the Redevelopment Agency Fund borrowed money in the amount of \$1,169,373 from the Water Fund for the purchase of land held for resale purposes. The outstanding balance as of June 30, 2008 was \$1,169,373. The annual requirements to amortize the note receivable have not been determine at June 30, 2008.
- vi. During 2004-2005, the Sewer Enterprise Fund borrowed money in the amount of \$100,000 from the Water Fund for the Eastside Sewer Interception Project. The outstanding balance as of June 30, 2008 was \$22,044.

The annual requirements to amortize the note receivable are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 22,044	\$ 1,128	\$ 23,172
Total	\$ 22,044	\$ 1,128	\$ 23,172

- vii. During 2005-2006, the Sewer Enterprise Fund borrowed money in the amount of \$1,216,000 from the Water Fund for the Wastewater Treatment Plant Expansion Project. The outstanding balance as of June 30, 2008 was \$960,564.

The annual requirements to amortize the note receivable are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 139,864	\$ 45,752	\$ 185,616
2010	147,193	35,423	182,616
2011	154,910	30,706	185,616
2012	518,597	41,673	560,270
Total	\$ 960,564	\$ 153,554	\$ 1,114,118

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. INTERFUND TRANSACTIONS, Continued

Transfers In and Out

Transfers in/out for the year ended June 30, 2008 were as follows:

	Transfers In		
	Governmental		
	Activities		
Transfers Out	General Fund	Redevelopment Agency	Total
Governmental Activities:			
Redevelopment Agency	\$ -	\$ 804,427	\$ 804,427
Grant Fund	72,400	-	72,400
Non-Major Governmental Funds	578,596	-	578,596
Business-Type Activities:			
Water	300,000	-	300,000
Total	\$ 950,996	\$ 804,427	\$ 1,755,423

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2008 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 434,923	\$ 1,325,540	\$ 1,760,463
Construction in progress	496,083	-	496,083
Total non-depreciable assets	931,006	1,325,540	2,256,546
Depreciable assets:			
Buildings	3,796,953	-	3,796,953
Improvements	4,990,936	42,239,454	47,230,390
Machinery and equipment	5,430,604	4,942,818	10,373,422
Infrastructure	43,620,385	-	43,620,385
Total depreciable assets, at cost	57,838,878	47,182,272	105,021,150
Less accumulated depreciation	(37,302,099)	(18,592,851)	(55,894,950)
Total depreciable assets, net	20,536,779	28,589,421	49,126,200
Total capital assets, net	\$ 21,467,785	\$ 29,914,961	\$ 51,382,746

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense in business-type activities for capital assets for the year ended June 30, 2008 is composed of the following:

Water	\$	490,591
Sewer		605,414
Non-Major Proprietary Funds		234,224
Total depreciation expense	\$	1,330,229

B. Funds Financial Statements

The funds financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

6. LONG-TERM DEBT

A. Governmental Activities Long-Term Debt

The Summary of Changes in Long-Term Debt for Governmental Activities for the year ended June 30, 2008 is as follows:

	Balance			Classification		
	July 1, 2007	Additions	Retirements	Balance June 30, 2008	Amount due within one year	Amount due in more than one year
Notes payable- Hideki Otani	\$ 30,000	\$ -	\$ (5,000)	\$ 25,000	\$ 5,000	\$ 20,000
1995 Subordinate Tax Increment Revenue Bonds	540,000	-	(45,000)	495,000	45,000	450,000
2006 Tax Allocation Bonds	3,950,000	-	(370,000)	3,580,000	320,000	3,260,000
Bond Discount	(49,329)	-	4,484	(44,845)	-	(44,845)
Capital lease obligations-Honeywell	145,256	-	(45,895)	99,361	48,243	51,118
Compensated absences	1,230,049	16,733	(66,897)	1,179,885	-	1,179,885
Total	\$ 5,845,976	\$ 16,733	\$ (528,308)	\$ 5,334,401	\$ 418,243	\$ 4,916,158

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

1995 Subordinate Tax Increment Revenue Bonds, Continued

The annual requirements to amortize the bonds outstanding at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 45,000	\$ 24,750	\$ 69,750
2010	50,000	22,500	72,500
2011	50,000	20,000	70,000
2012	65,000	17,500	82,500
2013	65,000	14,250	79,250
2014-2016	220,000	22,250	242,250
Total	\$ 495,000	\$ 121,250	\$ 616,250

2006 Tax Allocation Bonds

During 2006, the Agency issued the 2006 Tax Allocation Bonds in the amount of \$3,950,000 for the purpose of refunding all of the remaining outstanding Sanger Public Financing Authority Tax Increment Revenue Bonds, 1995 Series A, funding a reserve account and paying the bond issuance cost. The bonds bear interest from 3.7% to 4.6% and are payable semi-annually on February 1 and August 1 through 2018. The outstanding balance of the bonds as of June 30, 2008, was \$3,580,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2006 Tax Allocation Bonds. Total principal and interest remaining on the bond is \$4,510,568 payable through 2019.

The annual requirements to amortize the bonds outstanding at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Discount
2009	\$ 320,000	\$ 151,320	\$ 471,320	\$ 4,484
2010	330,000	139,160	469,160	4,484
2011	345,000	126,125	471,125	4,484
2012	355,000	112,325	467,325	4,484
2013	375,000	98,125	473,125	4,484
2014-2018	1,510,000	287,643	1,797,643	17,936
2019	345,000	15,870	360,870	4,489
Total	\$ 3,580,000	\$ 930,568	\$ 4,510,568	\$ 44,845

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. LONG-TERM DEBT, Continued

B. Business-Type Activities Long-Term Debt, Continued

2006 Series Lease Revenue Refunding Bonds

During 2006, the City issued the 2006 Lease Revenue Refunding Bonds in the amount of \$20,735,000 for the purpose of refunding all of the remaining outstanding 2002 Series A Revenue Refunding Bonds, funding a reserve account and paying the bond issuance cost. The Series A bonds bear interest from 4.0% to 4.25% and Series B bonds bear interest of 5.0%. Interests are payable semi-annually on June 15 and December 15. The outstanding balance of the bonds as of June 30, 2008, was \$20,735,000.

The City has pledged a portion of future property tax increment revenue to repay the 2006 Series Lease Revenue Refunding Bonds. Total principal and interest remaining on the bond is \$36,237,763 payable through 2036.

2006 Series A & B Lease Revenue Refunding Bonds, Continued

The annual requirements to amortize the lease outstanding at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Discount
2009	\$ 90,000	\$ 856,372	\$ 946,372	\$ 13,122
2010	180,000	853,312	1,033,312	13,122
2011	280,000	844,312	1,124,312	13,122
2012	395,000	830,312	1,225,312	13,122
2013	515,000	816,487	1,331,487	13,122
2014-2018	2,850,000	3,797,940	6,647,940	65,615
2019-2023	3,425,000	3,221,080	6,646,080	65,610
2024-2028	4,180,000	2,463,749	6,643,749	65,610
2029-2033	5,155,000	1,493,918	6,648,918	65,610
2034-2036	3,665,000	325,281	3,990,281	39,366
Total	\$ 20,735,000	\$ 15,502,763	\$ 36,237,763	\$ 367,421

Compensated Absences

Employees accrue annual leave between 20 to 38 days a year depending on the length of service. The amount of the City's estimated cost for unused annual leave benefits due to employees which is not anticipated to be liquidated with available expendable resources is reflected as a long-term obligation. The portion of the obligation accounted for in the Enterprise Fund was \$406,637 as of June 30, 2008.

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

7. RISK MANAGEMENT

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The Authority is comprised of 54 California member cities and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

Each member city has a representative on the Board of Directors. Officers of the Authority are elected annually by the Board of Directors.

General Liability Insurance

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$50,000 and pays 100% of all losses incurred under \$50,000. The City does not share or pay for losses of other cities under \$50,000. Losses of \$50,000 to \$500,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$500,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$5 million. This cost is also prorated on a payroll basis.

Workers' Compensation

Annual deposits are paid by member cities and are adjusted retroactively to cover costs. Each member city has a specific retention level. The City has a retention level of \$50,000 and pays 100% of all losses incurred under \$50,000. The City does not share or pay for losses of other cities under \$50,000. Losses of \$50,000 to \$500,000 are prorated among all participating cities on a payroll basis. Losses in excess of \$500,000 are covered by excess insurance purchased by the participating cities, as a part of the pool, to a limit of \$5 million. This cost is also prorated on a payroll basis.

Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. The following provides a reconciliation of claims and judgments:

Claims payable:	
Workers' Compensation	\$ 150,786
Total	\$ 150,786

This information presented above is as of June 30, 2008 and is the most current information available.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2008 is as follows:

Total assets	\$ 55,090,154
Total liabilities	\$ 45,390,299
Total equities	\$ 9,699,855
Total revenues	\$ 27,634,859
Total expenses	\$ 26,458,594
Revenues over (under) expenses	\$ 1,176,265

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. CONTINGENCIES

The City is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, these actions when finally adjudicated will not have material adverse effect on the financial position of the City.

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description - The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy - City employees are required by state statute to contribute 7% for miscellaneous employees and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account which amounted to \$592,376 for the year ended June 30, 2008. The City employer is required to contribute for fiscal year 2007-2008 at an actuarially determined rate; the current rate is 11.741% for miscellaneous employees, 99.221% for first tier police employee, 15.740% for second tier police employees, 33.604% for first tier fire employees, and 14.758% for second tier fire employees of annual covered payroll. The contribution requirements of City employees and the City employer are established and may be amended by PERS.

Annual Pension Cost - For fiscal year 2007-2008, the City's annual pension cost of \$1,160,556 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.25% to 14.45% for miscellaneous employees, police and fire employees depending on age, service, and type of employment; and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2005 was 15 years for miscellaneous employees, police and fire employees, for prior and current service unfunded liability.

City of Sanger
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

11. UNRESTRICTED NET ASSETS (DEFICITS), Continued

Fund Financial Statements

At June 30, 2008, the unrestricted net assets had deficit balances of \$(1,888,662) for Public Financing Authority Enterprise Fund because long-term debt is in excess of assets owned by the City. These deficits are planned to be repaid by the debt services payments from the sewer fund and reserve funds held by the trustee.

12. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustments in the Low and Moderate Income Housing Special Revenue Fund and Merged Capital Projects Fund in FY 2006-2007 to classify fund balance to deferred revenue. Accordingly, the net assets as of July 1, 2006, have been restated as follows:

Government-Wide Financial Statements

	Net assets, as previously reported	Prior period adjustments	Net assets, as restated
Governmental Activities	\$ 19,923,324	\$ (1,056,077)	\$ 18,867,247

Fund Financial Statements

	Fund balance, as previously reported	Prior period adjustments	Fund balance, as restated
Low and Moderate Income Housing Special Revenue Fund	\$ 953,924	\$ (500,000)	\$ 453,924
Merged Capital Project Fund	564,539	(556,077)	8,462
	\$ 1,518,463	\$ (1,056,077)	\$ 462,386

REQUIRED SUPPLEMENTAL INFORMATION

City of Sanger
Required Supplemental Information, Continued
For the year ended June 30, 2008

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule – General Fund

	Budgeted Amount			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Property taxes	\$ 1,200,000	\$ 1,360,000	\$ 1,544,426	\$ 184,426
Other taxes	4,336,500	3,862,500	3,755,165	(107,335)
Licences and permits	604,200	304,200	450,673	146,473
Intergovernmental	3,140,663	3,337,663	2,584,290	(753,373)
Charges for services	450,250	371,250	780,758	409,508
Fines and forfeitures	60,000	85,000	102,565	17,565
Use of money and property	402,748	402,748	5,052	(397,696)
Other	1,300	1,300	291,898	290,598
Total revenues	10,195,661	9,724,661	9,514,827	(209,834)
EXPENDITURES:				
Current:				
General governments	2,032,525	2,032,525	1,740,124	292,401
Public safety	6,627,511	6,627,511	6,435,840	191,671
Streets and roads	1,142,944	1,142,944	1,404,548	(261,604)
Parks and recreation	1,480,103	1,480,103	555,088	925,015
Capital Outlay	134,455	134,455	892,080	(757,625)
Debt services:				
Principal	51,000	51,000	50,895	105
Interest	29,016	29,016	28,991	25
Total expenditures	11,497,554	11,497,554	11,107,566	389,988
REVENUES OVER (UNDER) EXPENDITURES	(1,301,893)	(1,772,893)	(1,592,739)	180,154
OTHER FINANCING SOURCES (USES):				
Proceeds on sales of property	-	-	29,021	29,021
Transfers in	-	-	950,996	950,996
Total other financing sources (uses)	-	-	980,017	980,017
Net change in fund balances	\$ (1,301,893)	\$ (1,772,893)	(612,722)	\$ 1,160,171
FUND BALANCES:				
Beginning of year			738,033	
End of year			\$ 125,311	

City of Sanger
Required Supplemental Information, Continued
For the year ended June 30, 2008

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule – Grant Funds

	Budgeted Amount			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Intergovernmental	\$ 466,200	\$ 466,200	\$ 1,307,785	\$ 841,585
Use of money and property	-	-	6,753	6,753
Total revenues	466,200	466,200	1,314,538	848,338
EXPENDITURES:				
Current:				
General governments	308,000	308,000	583,682	(275,682)
Public Safety	100,000	100,000	98,019	1,981
Parks and recreation	32,400	32,400	2,155	30,245
Capital Outlay	1,110,465	1,110,465	172,846	937,619
Total expenditures	1,550,865	1,550,865	856,702	694,163
REVENUES OVER (UNDER) EXPENDITURES	(1,084,665)	(1,084,665)	457,836	1,542,501
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(72,400)	(72,400)
Total other financing sources (uses)	(1,084,665)	(1,084,665)	(72,400)	(72,400)
Net change in fund balances	\$ (2,169,330)	\$ (2,169,330)	385,436	\$ 1,470,101
FUND BALANCES:				
Beginning of year, as restated			139,992	
End of year			\$ 525,428	

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Traffic Congestion Relief Fund - This fund accounts for the funds received for the Traffic Congestion Relief Act of 2000 approved by Assembly Bill 2928. The purpose of this fund is to relieve traffic congestions, provide additional funding for street and road deferred maintenance, and provide additional transportation and capacity in high growth areas of the state.

Gas Tax Fund - The funds are used to account for receipts and expenditures of monies apportioned to the City under the Streets and Highways Code Section 2105, 2106, 2107 and 2107.5 of the State of California.

Transportation and Street Maintenance Funds - These funds are used to account for the construction and maintenance of the street network system of the City. Financing is provided by allocations from the County Local Transportation Funds created by the Transportation Development Act.

Traffic Safety Funds - These funds are used to account for vehicle code fines and forfeitures to be used for traffic control devices, maintenance of equipment, supplies for traffic law enforcement, traffic accident prevention and maintenance and improvement or construction of streets.

Local Public Safety Funds - These funds are used to account for the revenues from Proposition 172, a 1993 measure which collects a one-half cent sales tax for local public safety.

Air Quality Fund - This fund is used to account for clean air fees collected by the State and distributed by the California Air Quality Management District for clean air projects.

Landscape and Lighting Funds - These funds are used to account for assessments levied for operation and maintenance of parks, street lighting and landscaping.

Transportation Equity Act 21 - This fund is used to account for improving the safety due to increasing traffic level. It protects and enhances the community and the natural environment.

Measure C EXT - ADA - These funds are used for the American Disability Act compliance for street construction and maintenance including curb cuts and ramps to remove barriers, as well as other special transportation services.. Funding is provided by the county wide 1/2 cent Transportation Sales Tax imposed in Fresno County for twenty years, between July 1 ,2007 and June 30, 2007.

Measure C EXT - ST - These funds are used for the Street Maintenance for street improvements that address the aging street and road systems. Funding is provided by the county wide 1/2 cent Transportation Sales Tax imposed in Fresno County for twenty years, between July 1 ,2007 and June 30, 2007.

Prop 1B - State Bond Funds used for major street maintenance and improvements.

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Special Revenue Funds					Debt Service Funds			Capital Projects Fund	
					1971	1974	Improvement		
Transportation					Water Quality	Civic	District	Developers	
Equity	Measure C	Measure C		Measure C	Control	Center	79-1	Fees	
Act 21	EXT-ADA	EXT-Street	Prop 1B	EXT-Flexible	Bonds	Bonds	Bonds	Funds	Total
\$ -	\$ 6,768	\$ 203,388	\$ 401,095	\$ 250,248	\$ 23,502	\$ 13,042	\$ -	\$ 2,733,077	\$ 5,311,108
-	-	-	-	-	-	131	303,507	-	303,638
9,535	641	19,578	-	24,293	-	-	-	-	443,470
-	-	-	-	-	-	-	-	446,060	446,060
\$ 9,535	7,409	222,966	401,095	274,541	23,502	\$ 13,173	\$ 303,507	\$ 3,179,137	\$ 6,504,276
\$ -	\$ -	\$ -	\$ 53,082	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,594
9,535	-	-	-	-	-	-	2,337	-	11,872
-	-	-	-	-	-	-	-	446,060	446,060
-	-	-	-	-	-	-	-	2,733,077	2,733,077
9,535	-	-	53,082	-	-	-	2,337	3,179,137	3,282,603
-	-	-	-	-	-	131	303,507	-	303,638
-	-	-	-	-	-	-	-	-	-
-	7,409	222,966	348,013	274,541	23,502	13,042	(2,337)	-	2,918,035
-	7,409	222,966	348,013	274,541	23,502	13,173	301,170	-	3,221,673
\$ 9,535	\$ 7,409	\$ 222,966	\$ 401,095	\$ 274,541	\$ 23,502	\$ 13,173	\$ 303,507	\$ 3,179,137	\$ 6,504,276

Special Revenue Funds					Debt Service Funds			Capital Projects Fund	
Transportation					1971	1974	Improvement		
	Equity	Measure C	Measure C		Water Quality	Civic	District	Developers	
	Act 21	EXT-ADA	EXT-Street	Prop 1B	Control	Center	79-1	Fees	Total
					Bonds	Bonds	Bonds	Funds	
\$	-	\$ 7,350	\$ 221,224	\$ -	\$ 266,518	\$ -	\$ -	\$ -	\$ 2,329,329
-	-	-	-	-	-	-	-	-	10,000
50,460	-	-	400,130	-	-	-	-	-	1,730,174
-	-	-	-	-	-	-	-	346,925	346,925
-	-	-	-	-	-	-	-	-	16,366
-	59	1,742	965	8,023	-	-	14,799	-	73,209
50,460	7,409	222,966	401,095	274,541	-	-	14,799	346,925	4,506,003
-	-	-	-	-	-	-	-	-	110,837
50,460	-	-	53,082	-	-	-	-	346,925	2,537,814
50,460	-	-	53,082	-	-	-	-	346,925	2,648,651
-	7,409	222,966	348,013	274,541	-	-	14,799	-	1,857,352
-	-	-	-	-	-	-	-	-	(578,596)
-	-	-	-	-	-	-	-	-	(578,596)
-	7,409	222,966	348,013	274,541	-	-	14,799	-	1,278,756
-	-	-	-	-	23,502	13,173	286,371	-	1,942,917
\$	-	\$ 7,409	\$ 222,966	\$ 348,013	\$ 274,541	\$ 23,502	\$ 13,173	\$ 301,170	\$ 3,221,673

NON-MAJOR PROPRIETARY FUNDS

Disposal Fund - This fund is used to account for activities related to refuse collection, street sweeping and City recycling services.

Ambulance Fund - This fund is used to account for the operations related to the delivery of emergency medical services and transportation to a hospital.

City of Sanger

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Non-Major Proprietary Funds

For the year ended June 30, 2008

	Disposal	Ambulance	Total
OPERATING REVENUES:			
Charges for services	\$ 2,698,491	\$ 1,667,640	\$ 4,366,131
Other	19,553	-	19,553
Total operating revenues	2,718,044	1,667,640	4,385,684
OPERATING EXPENSES:			
Personnel services	1,056,683	1,144,933	2,201,616
Supplies and services	865,965	121,109	987,074
Capital outlay	138,914	12,860	151,774
Other	538,539	453,649	992,188
Depreciation	167,316	66,908	234,224
Total operating expenses	2,767,417	1,799,459	4,566,876
OPERATING INCOME (LOSS)	(49,373)	(131,819)	(181,192)
NET INCOME (LOSS)	(49,373)	(131,819)	(181,192)
NET ASSETS:			
Beginning of year	489,190	(313,700)	175,490
End of year	\$ 439,817	\$ (445,519)	\$ (5,702)

INTERNAL SERVICE FUNDS

Reprographics and Data Processing Fund - This fund is used to account for the City's computer information systems which include acquisition, replacement and support services for both hardware and software.

Equipment Maintenance Fund - This fund is used to account for bulk gasoline purchases and consumption by the departments of the City.

Self-Insurance Program Fund - This fund is used to account for the City's self-insured risks for the Workers' Compensation and Liability programs.

City of Sanger

Combining Statement of Revenues, Expenses, and Changes in Net Assets

All Internal Service Funds

For the year ended June 30, 2008

	Reprographics and Data Processing	Equipment Maintenance	Self- Insurance Program	Total
OPERATING REVENUES:				
Charges for services	\$ 1,411,596	\$ 298,784	\$ 2,304,046	\$ 4,014,426
Total operating revenues	<u>1,411,596</u>	<u>298,784</u>	<u>2,304,046</u>	<u>4,014,426</u>
OPERATING EXPENSES:				
Personnel services	983,449	-	-	983,449
Supplies and services	280,223	315,691	1,957,866	2,553,780
Other	4,769	-	40,000	44,769
Depreciation	10,529	-	-	10,529
Total operating expenses	<u>1,278,970</u>	<u>315,691</u>	<u>1,997,866</u>	<u>3,592,527</u>
OPERATING INCOME (LOSS)	<u>132,626</u>	<u>(16,907)</u>	<u>306,180</u>	<u>421,899</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	-	-	1,359	1,359
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>1,359</u>	<u>1,359</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>132,626</u>	<u>(16,907)</u>	<u>307,539</u>	<u>423,258</u>
NET INCOME (LOSS)	<u>132,626</u>	<u>(16,907)</u>	<u>307,539</u>	<u>423,258</u>
NET ASSETS (DEFICIT):				
Beginning of year	99,085	(7,649)	74,790	166,226
End of year	<u>\$ 231,711</u>	<u>\$ (24,556)</u>	<u>\$ 382,329</u>	<u>\$ 589,484</u>



Caporicci & Larson
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN
AUDIT OF THE BASIC FINANCIAL STATEMENTS AS RELATED TO THE
LOCAL TRANSPORTATION PURPOSE FUNDS**

To the Honorable Mayor and Members of City Council
of the City of Sanger
Sanger, California

We have audited the basic financial statements of the City of Sanger, California (City), as of and for the year ended June 30, 2008, and have issued our report thereon dated April 10, 2009.

We conducted our audit in accordance with generally accepted auditing standards in the United States and *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget Circular A-133. Those standards require that we perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the City is the responsibility of City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement. In connection with our audit referred to above, we performed tests of compliance with the California Public Utilities Code Section 142257 regulations as it applies to Local Transportation Purpose Funds. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be report herein under *Government Auditing Standards*.

This report is intended for the information of the City Council, management and official of applicable federal and state granting agencies. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Irvine, California
April 10, 2009

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